

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION OF**  
**SOUTH CAROLINA**  
**DOCKET NO. 2009-473-WS**

IN RE: )  
)  
Application of Tega Cay Water Service, )  
Inc. for adjustment of rates and charges )  
and modifications to certain terms )  
and conditions for the provision of )  
water and sewer service. )  
\_\_\_\_\_)

**REBUTTAL TESTIMONY**  
**OF**  
**STEVE LUBERTOZZI**

1   **Q.    ARE YOU THE SAME STEVE LUBERTOZZI THAT HAS PREFILED**  
2       **DIRECT TESTIMONY IN THIS CASE?**

3   **A.    Yes, I am.**

4   **Q.    WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

5   **A.    The purpose of my rebuttal testimony is to respond on behalf of Tega Cay Water**  
6       **Service, Inc., or TCWS, to certain aspects of the testimony and exhibits which have**  
7       **been pre-filed by the Office of Regulatory Staff, or ORS and the City of Tega Cay.**

8   **Q.    MR. LUBERTOZZI HAVE YOU REVIEWED THE PRE-FILED TESTIMONY**  
9       **OF CHRISTINA STUTZ ON BEHALF OF ORS IN THIS MATTER?**

10  **A.    Yes, I have reviewed her testimony and the Audit Department Report she attached to**  
11       **her testimony.**

1 **Q. ARE THERE ANY ADJUSTMENTS DETAILED IN MS. STUTZ'S**  
2 **TESTIMONY AND THE ORS AUDIT REPORT WITH WHICH YOU**  
3 **AGREE?**

4 **A.** Yes, I agree with quite a few of the adjustments.

5 Specifically, the Company accepts the following adjustments proposed by ORS:

6 Numbers 1-3 (Adjustments A-C) – Total Operating Revenues and  
7 Uncollectible Accounts – Tega Cay Water Service, Inc. (TCWS) agrees with the  
8 \$11,356 adjustment to Service Revenues, Miscellaneous Revenues and Uncollectible  
9 Accounts to reflect test year adjustments.

10 Numbers 4-12 (Adjustments D-L) – Maintenance Expenses – TCWS agrees  
11 with ORS's proposed adjustments to Salary & Wages, Purchased Power, Purchased  
12 Sewer & Water, Maintenance and Repair, Maintenance Testing, Chemicals,  
13 Transportation, Operating Expenses Charged to Plant, and Outside Services total of  
14 \$45,305.

15 Numbers 13,14,16-18 (Adjustment M, N, P-R) – General Expenses – TCWS  
16 agrees with the (\$43,294) adjustment to General Expenses relating to Salary & Wages,  
17 Office Supplies & Other Office Expense, Pension & Other Benefits, Insurance, Office  
18 Utilities and Miscellaneous.

19 Numbers 19-23 (Adjustment S-V) –TCWS agrees with the \$21,528 adjustment  
20 to reflect the Depreciation, Taxes Other Than Income, Deferred Income Taxes-State &  
21 Federal, Income Taxes- State & Federal, Amortization CIAC expense.

1           Numbers 30 (Adjustment W) – Interest During Construction – TCWS agrees  
2           with the elimination of the \$24,894 in IDC costs for rate making purposes. This  
3           adjustment was proposed by TCWS in the original filing.  
4

5   **Q.    ARE THERE ANY ADJUSTMENTS DETAILED IN THE ORS AUDIT**  
6   **REPORT AND TESTIMONY THAT YOU DISAGREE WITH?**

7   **A.**   Yes, there are two specific adjustments proposed by ORS with which we do not agree.  
8           Also, these proposed adjustments would affect certain other fallout, or related item  
9           adjustments, such as cash working capital. Therefore, the Company would disagree  
10          with these fallout adjustments as well.  
11

12   **Q.    WOULD YOU PLEASE DISCUSS THE FIRST ORS ADJUSTMENT WITH**  
13   **WHICH YOU DISAGREE?**

14   **A.**   Yes. I disagree with Numbers 26-28 (ORS Adjustment X and Y) related to Gross Plant  
15          in Service and Accumulated Depreciation. ORS disallowed \$561,547 of projects that  
16          were completed and in service in May of 2010. The actual completed cost for the UV  
17          disinfection and Phosphorous control projects is \$681,839. Invoices and supporting  
18          general ledgers were submitted to ORS. Also, a retirement entry for the removal of  
19          chlorination/dechlorination equipment was provided to ORS and is included in the  
20          rebuttal exhibits.

1 **Q. WOULD YOU PLEASE DISCUSS THE NEXT ORS ADJUSTMENT WITH**  
2 **WHICH YOU DISAGREE?**

3 A. Yes, it is Number 15 (Adjustment O) for Rate Case Expense. ORS's adjustment does  
4 not include the costs necessary to resolve this rate proceeding. There should be no  
5 argument that the Company has incurred or will incur additional costs to resolve this  
6 case totaling \$126,886. The Commission should allow these estimated costs to be  
7 included in the rate case expense, or in the alternative, allow the actual costs incurred  
8 through the hearing date to be included for ratemaking purposes as it has done in past  
9 proceedings. Also, the Company proposes to amortize the rate case costs related to the  
10 previous rate case that have not previously been recovered by the Company. The  
11 expenses associated with both rate cases are reasonable, necessary and recoverable  
12 expenses. Furthermore, these rate case costs are necessary to insure the Company can  
13 provide reliable utility service to its customers.

14  
15 **Q. DOES THE COMPANY AGREE WITH ORS FIVE YEAR AMORTIZATION**  
16 **PERIOD?**

17 A. No, it does not.

18  
19 **Q. ARE THERE ANY OTHER ADJUSTMENTS WITH WHICH YOU**  
20 **DISAGREE?**

21 A. Although I agree with ORS's methodology in calculating the amounts, I partially  
22 disagree with ORS Adjustment Z. Because it is fall out item, the amount will change  
23 due to the change in related plant account.

1  
2 **Q. HAVE YOU PREPARED AN EXHIBIT WHICH UPDATES THE COMPANY'S**  
3 **FINANCIAL STATEMENTS INCLUDED WITH ITS APPLICATION TO**  
4 **REFLECT THOSE ADJUSTMENTS WITH WHICH YOU AGREE?**

5 A. Yes. An updated version of these financial statements is attached to my testimony as  
6 SML Rebuttal Exhibit 1.  
7

8 **Q. WHAT DO THE EXHIBITS REFLECT AS IT PERTAINS TO TOTAL**  
9 **REVENUES AND THE RATES THAT WERE NOTICED?**

10 A. SML Rebuttal Exhibit 1 includes all of the adjustments referenced above, including  
11 the full cost of the UV projects and total rate case expense, including and estimate to  
12 bring this case to conclusion. After the adjustments referenced above the total  
13 additional new revenue needed for water and wastewater to get the Company to an  
14 overall Return on Common Equity of 11.18%, which is the midpoint of Mrs. Ahern's  
15 range, is \$86,820 and \$193,194 respectively. In addition, the rates for water customers  
16 would include a base facility charge of \$9.42 and per thousand gallon rate of \$2.11 and  
17 a wastewater rate of \$41.64. However, as the parties are aware these revenues and  
18 resulting rates are above the noticed rates and the revenues included in the original  
19 filing.  
20

21 **Q. SO WHAT IS THE COMPANY'S POSTION AND FINAL REQUESTED**  
22 **REVENUES?**

1 A. In order for the Company to have the opportunity to cover all of its operating  
2 expenses, including gross receipts taxes, depreciation, income taxes and cost of debt  
3 and the opportunity to earn a reasonable return on its investment the Company would  
4 need to generate revenues higher than what was included in the original filing and  
5 what was included in the customer notices. With that limitation the Company is  
6 seeking final rates consistent with the rates contained in the original filing and  
7 customer notice.

8  
9 **Q. WHAT WERE THE ORIGINAL NOTICED RATES?**

10 A. The original noticed rates included a \$9.21 base facility charge and \$2.06 per thousand  
11 gallons for water customers and \$40.12 base facility charge for wastewater customer.

12  
13 **Q. USING THOSE RATES AS A CEILING WHAT WOULD BE THE RESULTING**  
14 **ROE?**

15 A. Using the noticed rates and the Company's Rate base and adjustments previously  
16 discussed would generate an ROE of 9.60%

1 **Q. MR. MORGAN REQUESTED IN HIS TESTIMONY THAT TCWS BE**  
2 **REQUIRED TO PROVIDE MONTHLY ELECTRONIC NOTICE OF BILL**  
3 **STATEMENT AVAILABILITY AND A WEB ADDRESS FOR ELECTRONIC**  
4 **BILLING. DOES THE COMPANY AGREE WITH MR. MORGAN'S**  
5 **REQUEST?**

6 **A.** Yes. We are going to offer online bill view, which we are testing with select  
7 customers now. Our E-Billing offering will be launched in early 2011, if not fourth  
8 quarter of 2010. It will have the capabilities that Mr. Morgan requests.

9  
10 **Q. WHAT COMMENT DO YOU HAVE REGARDING THE STATEMENT THAT**  
11 **CUSTOMER FRANK RUBBO MADE ABOUT IRREGULAR BILLING**  
12 **CYCLES?**

13 **A.** There was a misunderstanding of the read process with CC&B on the part of our meter  
14 reader that did cause some fluctuation in this customer's billing cycles. We also had  
15 some problems maintaining meter reads and scheduling issues with meter readers,  
16 both of which have improved with the current staff of meter readers.

17  
18 **Q. MR. MORGAN STATED IN HIS TESTIMONY THAT TCWS SHOULD**  
19 **REVISE ITS COLLECTION PRACTICE; WHAT IS THE STATUS OF**  
20 **TCWS'S EFFORTS IN THAT REGARD?**

21 **A.** In December 2009, we enhanced our collection process by implementing  
22 outbound collection calls, abbreviating the timeline, building new relationships with

1 external collections agencies and dedicating resources to collection management. The  
2 following list illustrates the specific initiatives currently in place:

3 1. Outbound collections calls for all past due accounts receivable, with  
4 dedicated Collections Agent placed in the Pacific Time Zone to increase the  
5 probability of connecting with customers. Based on a very successful collection rate,  
6 the company is analyzing the opportunity for additional benefit if more resources are  
7 dedicated to the outbound process.

8 2. Dedicated leadership resource to manage the internal and external  
9 collections to bad debt process.

10 3. Termination of our relationship with NCO, the sole collections resource  
11 for many years, due to unacceptable performance.

12 4. New relationships formed with two collection agencies to enable a  
13 “challenger champion” approach and allow focus according to specific geographical  
14 experience.

15 5. Abbreviated the written process for collections by eliminating three  
16 letters and shortening the time intervals between actions.

17 6. Established Key Performance Indicators on Corporate Scorecards to  
18 measure each bucket of A/R and Bad Debt as a percentage of revenue and amounts  
19 collected.

20 7. Publish daily tracking log of outbound calls initiated, connected with  
21 customers and amounts collected as well as amounts promised.

22 8. Created multiple reports in CC&B to track performance.  
23



1 **Q. MR. MORGAN COMMENTED ON THE STATUS OF THE PERFORMANCE**  
2 **BOND FOR TEGA CAY. DO YOU AGREE WITH THE**  
3 **RECOMMENDATION?**

4 A. Yes, I do.  
5

6 **Q. DO YOU AGREE WITH MS. STUTZ THAT TCWS DOES NOT MAINTAIN**  
7 **ITS BOOKS AND RECORDS IN ACCORDANCE WITH PSC RULES AND**  
8 **REGULATIONS?**

9 A. No, I do not. TCWS believes that it does keep its books and records in accordance  
10 with the Uniform System of Accounts, or USOA, because all of the information  
11 required by the USOA is available in an organized format that was available to and  
12 used by ORS in its audit. As required by the National Association of Regulatory  
13 Utility Commissioners ("NARUC") USOA for Class B water and wastewater utilities,  
14 of which the pertinent section is attached hereto as SML Rebuttal Exhibit 2, TCWS is  
15 not required to adopt the numbering scheme proposed by ORS. Rather, the USOA  
16 states that this numbering scheme is solely for the convenience of reference and that  
17 each utility may adopt such scheme of account numbers as it deems appropriate. The  
18 USOA further provides that the Company is required to keep a list of the account  
19 numbers and subdivisions readily available and a reconciliation of those numbers with  
20 the account numbers and titles provided therein. TCWS provided the reconciliation  
21 list of the account numbers in the course of ORS's audit and, as Ms. Stutz states in her  
22 testimony, provided documentation to ORS which included the NARUC USOA  
23 account listings for the ease of ORS's reference. Therefore, I respectfully disagree

1 with Ms. Stutz's assertion that the Company is not maintaining its books and records  
2 as required by the NARUC USOA.

3  
4 **Q. DURING THE AUDIT CONDUCTED BY ORS WERE YOU MADE AWARE**  
5 **OF ANY PROBLEMS ARISING FROM THE NUMBERING ISSUE THAT**  
6 **YOU JUST DISCUSSED?**

7 A. No I was not. Of course, TCWS wants to insure that the information contained in its  
8 books and records can be accessed by ORS using the USOA numbering system and  
9 believes that it meets the requirements of the regulation in that regard.

10  
11 **Q. MR. HARTMAN DISCUSSES HIS FINDINGS ON CAPITAL**  
12 **IMPROVEMENTS. DO YOU AGREE WITH THE FINDINGS?**

13 A. Yes, I do. While Mr. Hartman does not propose an adjustment to remove the pro  
14 forma projects associated with the UV plant, he reserves the right to review the status  
15 of the projects. We have provided the supporting documentation for the projects  
16 which are currently in service. The documentation is readily available for review.

17  
18 **Q. DO YOU AGREE WITH MR. HARTMAN'S ADJUSTMENT TO REMOVE**  
19 **CPI?**

20 A. Yes, I do. This adjustment is reflected in my rebuttal exhibits.

21  
22 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

23 A. Yes, it does.

## Tega Cay Water Service, Inc.

## BALANCE SHEET

12/31/2008

## SL Rebuttal Exhibit 1

## Schedule A

ASSETS

|                                    |                             |
|------------------------------------|-----------------------------|
| Plant In Service                   |                             |
| Water                              | \$ 2,653,429                |
| Sewer                              | 9,819,202                   |
|                                    | <u>                    </u> |
| Total                              | \$ 12,472,631               |
|                                    | <u>                    </u> |
| Accumulated Depreciation-Water     | (740,755)                   |
| Accumulated Depreciation-Sewer     | (2,861,197)                 |
|                                    | <u>                    </u> |
| Total                              | \$ (3,601,952)              |
|                                    | <u>                    </u> |
| Net Utility Plant                  | \$ 8,870,678                |
|                                    | <u>                    </u> |
| Plant Acquisition Adjustment-Water | -                           |
| Plant Acquisition Adjustment-Sewer | -                           |
|                                    | <u>                    </u> |
| Total                              | \$ -                        |
|                                    | <u>                    </u> |
| Construction Work In Process-Water | 1,522                       |
| Construction Work In Process-Sewer | 364,680                     |
|                                    | <u>                    </u> |
| Total                              | \$ 366,202                  |
|                                    | <u>                    </u> |
| Current Assets                     |                             |
| Cash                               | (78)                        |
| Accounts Receivable - Net          | (739,886)                   |
| Other Current Assets               | 162,691                     |
|                                    | <u>                    </u> |
| Total                              | \$ (577,273)                |
|                                    | <u>                    </u> |
| Deferred Charges                   | (183,509)                   |
|                                    | <u>                    </u> |
| TOTAL ASSETS                       | \$ 8,476,098                |
|                                    | <u>                    </u> |

## LIABILITIES AND OTHER CREDITS

=====

|                                      |                             |
|--------------------------------------|-----------------------------|
| Capital Stock and Retained Earnings  |                             |
| Common Stock and Paid In Capital     | \$ (2,694,890)              |
| Retained Earnings                    | 975,751                     |
|                                      | <u>                    </u> |
| Total                                | \$ (1,719,139)              |
|                                      | <u>                    </u> |
| Current and Accrued Liabilities      |                             |
| Accounts Payable-Trade               | (72,266)                    |
| Taxes Accrued                        | (1,289)                     |
| Customer Deposits                    | (22,445)                    |
| Customer Deposits - Interest         | (28,782)                    |
| A/P - Assoc. Companies               | 310,782                     |
| Deferred Revenue                     | -                           |
|                                      | <u>                    </u> |
| Total                                | \$ 186,001                  |
|                                      | <u>                    </u> |
| Advances In Aid of Construction      |                             |
| Water                                | -                           |
| Sewer                                | -                           |
|                                      | <u>                    </u> |
| Total                                | \$ -                        |
|                                      | <u>                    </u> |
| Contributions In Aid of Construction |                             |
| Water                                | (1,576,239)                 |
| Sewer                                | (4,749,881)                 |
|                                      | <u>                    </u> |
| Total                                | \$ (6,326,120)              |
|                                      | <u>                    </u> |
| Accumulated Deferred Income Tax      |                             |
| Unamortized ITC                      | -                           |
| Deferred Tax - Federal               | (616,145)                   |
| Deferred Tax - State                 | (695)                       |
|                                      | <u>                    </u> |
| Total                                | \$ (616,840)                |
|                                      | <u>                    </u> |
| TOTAL LIABILITIES AND OTHER CREDITS  | \$ (8,476,098)              |
|                                      | <u>                    </u> |

|                                     | Per<br>Books     | Pro Forma<br>Adjustments | Pro Forma<br>Present | Proposed<br>Increase | Pro Forma<br>Proposed |
|-------------------------------------|------------------|--------------------------|----------------------|----------------------|-----------------------|
| <b>Operating Revenues</b>           |                  |                          |                      |                      |                       |
| Service Revenues - Water            | \$ 366,602       | \$ (1,074) [a]           | \$ 365,528           | \$ 86,820            | \$ 452,348            |
| Service Revenues - Sewer            | 736,879          | 3,331 [a]                | 740,210              | 193,194              | 933,404               |
| Miscellaneous Revenues              | 24,252           | 3,420 [a]                | 27,672               | -                    | 27,672                |
| Uncollectible Accounts              | (7,790)          | 5,679 [a]                | (2,111)              | (535)                | (2,646)               |
| <b>Total Operating Revenues</b>     | <b>1,119,943</b> | <b>11,356</b>            | <b>1,131,299</b>     | <b>279,480</b>       | <b>1,410,779</b>      |
| <b>Maintenance Expenses</b>         |                  |                          |                      |                      |                       |
| Salaries and Wages                  | 195,274          | (16,910) [a]             | 178,364              | -                    | 178,364               |
| Purchased Power                     | 54,879           | - [a]                    | 54,879               | -                    | 54,879                |
| Purchased Sewer & Water             | (84,298)         | 80,152 [a]               | (4,146)              | -                    | (4,146)               |
| Maintenance and Repair              | 230,065          | 13,813 [a]               | 243,878              | -                    | 243,878               |
| Maintenance Testing                 | 37,380           | (16,092) [a]             | 21,288               | -                    | 21,288                |
| Chemicals                           | 23,314           | - [a]                    | 23,314               | -                    | 23,314                |
| Transportation                      | 37,915           | (13,899) [a]             | 24,016               | -                    | 24,016                |
| Operating Exp. Charged to Plant     | (52,642)         | (1,267) [a]              | (53,909)             | -                    | (53,909)              |
| Outside Services - Other            | 26,089           | (492) [a]                | 25,597               | -                    | 25,597                |
| <b>Total</b>                        | <b>467,976</b>   | <b>45,305</b>            | <b>513,281</b>       | <b>-</b>             | <b>513,281</b>        |
| <b>General Expenses</b>             |                  |                          |                      |                      |                       |
| Salaries and Wages                  | 105,000          | (43,540) [a]             | 61,460               | -                    | 61,460                |
| Office Supplies & Other Office Exp. | 40,311           | (1,272) [a]              | 39,039               | -                    | 39,039                |
| Regulatory Commission Exp.          | 54,588           | (12,293) [b]             | 42,295               | -                    | 42,295                |
| Pension & Other Benefits            | 62,718           | 3,554 [a]                | 66,272               | -                    | 66,272                |
| Insurance                           | 27,675           | - [a]                    | 27,675               | -                    | 27,675                |
| Office Utilities                    | 24,677           | (592) [a]                | 24,085               | -                    | 24,085                |
| Miscellaneous                       | 18,198           | (1,444) [a]              | 16,754               | -                    | 16,754                |
| <b>Total</b>                        | <b>333,167</b>   | <b>(55,587)</b>          | <b>277,580</b>       | <b>-</b>             | <b>277,580</b>        |
| Depreciation                        | 291,862          | (59,712) [a]             | 232,150              | -                    | 232,150               |
| Taxes Other Than Income             | 90,700           | 21,670 [a]               | 112,370              | 2,686                | 115,056               |
| Deferred Income Tax - Fed           | (19,773)         | - [a]                    | (19,773)             | -                    | (19,773)              |
| Deferred Income Tax - State         | (3,060)          | - [a]                    | (3,060)              | -                    | (3,060)               |
| Income Taxes - Federal              | 8,266            | 16,450 [a]               | 24,716               | 66,277               | 90,993                |
| Income Taxes - State                | (5,855)          | 0 [a]                    | (5,855)              | 19,538               | 13,683                |
| Amortization of CIAC                | (173,350)        | 43,120 [a]               | (130,230)            | -                    | (130,230)             |
| <b>Total</b>                        | <b>188,791</b>   | <b>21,528</b>            | <b>210,319</b>       | <b>88,501</b>        | <b>298,820</b>        |
| <b>Total Operating Expenses</b>     | <b>989,934</b>   | <b>11,247</b>            | <b>1,001,181</b>     | <b>88,501</b>        | <b>1,089,682</b>      |
| <b>Net Operating Income</b>         | <b>130,009</b>   | <b>109</b>               | <b>130,118</b>       | <b>190,979</b>       | <b>321,097</b>        |
| Interest During Construction        | (24,894)         | 24,894 [a]               | -                    | -                    | -                     |
| Interest on Debt                    | 142,758          | (13,480) [a]             | 129,277              | -                    | 129,277               |
| <b>Net Income</b>                   | <b>\$ 12,145</b> | <b>\$ (11,304)</b>       | <b>\$ 841</b>        | <b>\$ 190,979</b>    | <b>\$ 191,820</b>     |

|                                     | Per<br>Books    | Pro Forma<br>Adjustments | Pro Forma<br>Present | Proposed<br>Increase | Pro Forma<br>Proposed |
|-------------------------------------|-----------------|--------------------------|----------------------|----------------------|-----------------------|
| <b>Operating Revenues</b>           |                 |                          |                      |                      |                       |
| Service Revenues - Water            | \$ 366,602      | \$ (1,074) [a]           | \$ 365,528           | \$ 86,820            | \$ 452,348            |
| Service Revenues - Sewer            | -               | - [a]                    | -                    | -                    | -                     |
| Miscellaneous Revenues              | 8,057           | 8,090 [a]                | 16,147               | -                    | 16,147                |
| Uncollectible Accounts              | (2,588)         | 1,894 [a]                | (694)                | (165)                | (859)                 |
| <b>Total Operating Revenues</b>     | <b>372,071</b>  | <b>8,910</b>             | <b>380,981</b>       | <b>86,655</b>        | <b>467,636</b>        |
| <b>Maintenance Expenses</b>         |                 |                          |                      |                      |                       |
| Salaries and Wages                  | 98,295          | (8,513) [a]              | 89,782               | -                    | 89,782                |
| Purchased Power                     | 6,595           | - [a]                    | 6,595                | -                    | 6,595                 |
| Purchased Water                     | (84,298)        | 80,152 [a]               | (4,146)              | -                    | (4,146)               |
| Maintenance and Repair              | 43,734          | 6,953 [a]                | 50,687               | -                    | 50,687                |
| Maintenance Testing                 | 22,413          | (8,101) [a]              | 14,312               | -                    | 14,312                |
| Chemicals                           | 11,735          | - [a]                    | 11,735               | -                    | 11,735                |
| Transportation                      | 19,085          | (6,995) [a]              | 12,090               | -                    | 12,090                |
| Operating Exp. Charged to Plant     | (26,498)        | (640) [a]                | (27,138)             | -                    | (27,138)              |
| Outside Services - Other            | 13,132          | (248) [a]                | 12,884               | -                    | 12,884                |
| <b>Total</b>                        | <b>104,194</b>  | <b>62,608</b>            | <b>166,802</b>       | <b>-</b>             | <b>166,802</b>        |
| <b>General Expenses</b>             |                 |                          |                      |                      |                       |
| Salaries and Wages                  | 52,854          | (21,918) [a]             | 30,936               | -                    | 30,936                |
| Office Supplies & Other Office Exp. | 20,291          | (640) [a]                | 19,651               | -                    | 19,651                |
| Regulatory Commission Exp.          | 27,478          | (6,188) [b]              | 21,290               | -                    | 21,290                |
| Pension & Other Benefits            | 31,570          | 1,789 [a]                | 33,359               | -                    | 33,359                |
| Insurance                           | 13,931          | - [a]                    | 13,931               | -                    | 13,931                |
| Office Utilities                    | 12,422          | (298) [a]                | 12,124               | -                    | 12,124                |
| Miscellaneous                       | 9,160           | (727) [a]                | 8,433                | -                    | 8,433                 |
| <b>Total</b>                        | <b>167,705</b>  | <b>(27,982)</b>          | <b>139,724</b>       | <b>-</b>             | <b>139,724</b>        |
| Depreciation                        | 81,853          | (17,395) [a]             | 64,458               | -                    | 64,458                |
| Taxes Other Than Income             | 42,653          | 9,100 [a]                | 51,753               | 833                  | 52,586                |
| Deferred Income Tax - Fed           | (6,569)         | - [a]                    | (6,569)              | -                    | (6,569)               |
| Deferred Income Tax - State         | (1,017)         | - [a]                    | (1,017)              | -                    | (1,017)               |
| Income Taxes - Federal              | 2,746           | (7,925) [a]              | (5,179)              | 22,743               | 17,564                |
| Income Taxes - State                | (1,945)         | - [a]                    | (1,945)              | 4,586                | 2,641                 |
| Amortization of CIAC                | (42,933)        | 10,646 [a]               | (32,287)             | -                    | (32,287)              |
| <b>Total</b>                        | <b>74,788</b>   | <b>(5,574)</b>           | <b>69,215</b>        | <b>28,163</b>        | <b>97,377</b>         |
| <b>Total Operating Expenses</b>     | <b>346,688</b>  | <b>29,053</b>            | <b>375,740</b>       | <b>28,163</b>        | <b>403,903</b>        |
| <b>Net Operating Income</b>         | <b>25,383</b>   | <b>(20,143)</b>          | <b>5,241</b>         | <b>58,493</b>        | <b>63,734</b>         |
| Interest During Construction        | (5,079)         | 5,079 [a]                | -                    | -                    | -                     |
| Interest on Debt                    | 28,852          | (5,323) [a]              | 23,528               | -                    | 23,528                |
| <b>Net Income</b>                   | <b>\$ 1,611</b> | <b>\$ (19,898)</b>       | <b>\$ (18,288)</b>   | <b>\$ 58,493</b>     | <b>\$ 40,205</b>      |

|                                     | Per<br>Books     | Pro Forma<br>Adjustments | Pro Forma<br>Present | Proposed<br>Increase | Pro Forma<br>Proposed |
|-------------------------------------|------------------|--------------------------|----------------------|----------------------|-----------------------|
| <b>Operating Revenues</b>           |                  |                          |                      |                      |                       |
| Service Revenues - Water            | -                | - [a]                    | -                    | -                    | -                     |
| Service Revenues - Sewer            | \$ 736,879       | \$ 3,331 [a]             | \$ 740,210           | \$ 193,194           | \$ 933,404            |
| Miscellaneous Revenues              | 16,195           | (4,670) [a]              | 11,525               | -                    | 11,525                |
| Uncollectible Accounts              | (5,202)          | 3,785 [a]                | (1,417)              | (370)                | (1,787)               |
| <b>Total Operating Revenues</b>     | <b>747,872</b>   | <b>2,446</b>             | <b>750,318</b>       | <b>192,824</b>       | <b>943,142</b>        |
| <b>Maintenance Expenses</b>         |                  |                          |                      |                      |                       |
| Salaries and Wages                  | 96,980           | (8,397) [a]              | 88,583               | -                    | 88,583                |
| Purchased Power                     | 48,284           | - [a]                    | 48,284               | -                    | 48,284                |
| Purchased Sewer & Water             | -                | - [a]                    | -                    | -                    | -                     |
| Maintenance and Repair              | 186,331          | 6,860 [a]                | 193,191              | -                    | 193,191               |
| Maintenance Testing                 | 14,967           | (7,991) [a]              | 6,976                | -                    | 6,976                 |
| Chemicals                           | 11,578           | - [a]                    | 11,578               | -                    | 11,578                |
| Transportation                      | 18,830           | (6,904) [a]              | 11,926               | -                    | 11,926                |
| Operating Exp. Charged to Plant     | (26,144)         | (627) [a]                | (26,771)             | -                    | (26,771)              |
| Outside Services - Other            | 12,957           | (244) [a]                | 12,713               | -                    | 12,713                |
| <b>Total</b>                        | <b>363,782</b>   | <b>(17,303)</b>          | <b>346,479</b>       | <b>-</b>             | <b>346,479</b>        |
| <b>General Expenses</b>             |                  |                          |                      |                      |                       |
| Salaries and Wages                  | 52,146           | (21,622) [a]             | 30,524               | -                    | 30,524                |
| Office Supplies & Other Office Exp. | 20,020           | (632) [a]                | 19,388               | -                    | 19,388                |
| Regulatory Commission Exp.          | 27,110           | (6,105) [b]              | 21,005               | -                    | 21,005                |
| Pension & Other Benefits            | 31,148           | 1,765 [a]                | 32,913               | -                    | 32,913                |
| Insurance                           | 13,744           | - [a]                    | 13,744               | -                    | 13,744                |
| Office Utilities                    | 12,256           | (294) [a]                | 11,962               | -                    | 11,962                |
| Miscellaneous                       | 9,038            | (717) [a]                | 8,321                | -                    | 8,321                 |
| <b>Total</b>                        | <b>165,462</b>   | <b>(27,605)</b>          | <b>137,857</b>       | <b>-</b>             | <b>137,857</b>        |
| Depreciation                        | 210,009          | (42,317) [a]             | 167,692              | -                    | 167,692               |
| Taxes Other Than Income             | 48,048           | 12,570 [a]               | 60,618               | 1,853                | 62,471                |
| Deferred Income Tax - Fed           | (13,204)         | - [a]                    | (13,204)             | -                    | (13,204)              |
| Deferred Income Tax - State         | (2,043)          | - [a]                    | (2,043)              | -                    | (2,043)               |
| Income Taxes - Federal              | 5,520            | 24,375 [a]               | 29,895               | 43,534               | 73,428                |
| Income Taxes - State                | (3,910)          | - [a]                    | (3,910)              | 14,952               | 11,042                |
| Amortization of CIAC                | (130,417)        | 32,474 [a]               | (97,943)             | -                    | (97,943)              |
| <b>Total</b>                        | <b>114,003</b>   | <b>27,102</b>            | <b>141,105</b>       | <b>60,338</b>        | <b>201,443</b>        |
| <b>Total Operating Expenses</b>     | <b>643,246</b>   | <b>(17,806)</b>          | <b>625,440</b>       | <b>60,338</b>        | <b>685,779</b>        |
| <b>Net Operating Income</b>         | <b>104,626</b>   | <b>20,252</b>            | <b>124,878</b>       | <b>132,486</b>       | <b>257,363</b>        |
| Interest During Construction        | (19,815)         | 19,815 [a]               | -                    | -                    | -                     |
| Interest on Debt                    | 113,906          | (8,157) [a]              | 105,749              | -                    | 105,749               |
| <b>Net Income</b>                   | <b>\$ 10,535</b> | <b>\$ 8,594</b>          | <b>\$ 19,129</b>     | <b>\$ 132,486</b>    | <b>\$ 151,614</b>     |

[a] Per ORS notes Audit Exhibit CAS-1 thru CAS-3

[b] Rate Case Expense has been adjusted to reflect current cost esitimated to hearing over a three year amortization period.

**Tega Cay Water Service, Inc.**  
Combined Operations  
Rate Base and Rate of Return  
Test Year Ended December 31, 2008

**SL Rebuttal Exhibit 3**  
**Schedule C**  
**Page 1 of 5**

|                                      | Per<br>Books  | Pro Forma<br>Adjustments | As<br>Adjusted | Proposed<br>Increase | Effect of<br>Proposed<br>Increase |
|--------------------------------------|---------------|--------------------------|----------------|----------------------|-----------------------------------|
| Net Operating Income                 | \$ 130,009    | 109                      | \$ 130,118     | 190,979              | \$ 321,097                        |
| Gross Plant In Service               | \$ 12,472,631 | 1,570,164 [c]            | 14,042,794     | -                    | \$ 14,042,794                     |
| Accumulated Depreciation             | (3,601,952)   | 158,787 [d]              | (3,443,166)    | -                    | (3,443,166)                       |
| Net Plant In Service                 | 8,870,678     | 1,728,950                | 10,599,629     | -                    | 10,599,629                        |
| Cash Working Capital                 | 111,480       | 1,424 [a]                | 112,904        | -                    | 112,904                           |
| Contributions In Aid of Construction | (6,326,120)   | (43,120) [a]             | (6,369,241)    | -                    | (6,369,241)                       |
| Accumulated Deferred Income Taxes    | (616,840)     | -                        | (616,840)      | -                    | (616,840)                         |
| Customer Deposits                    | (51,227)      | -                        | (51,227)       | -                    | (51,227)                          |
| Total Rate Base                      | \$ 1,987,971  | \$ 1,687,254             | \$ 3,675,225   | \$ -                 | \$ 3,675,225                      |
| Return on Rate Base                  | 6.54%         |                          | 3.54%          |                      | 8.74%                             |



**Tege Cay Water Service, Inc.**  
 Water Operations  
 Rate Base and Rate of Return  
 Test Year Ended December 31, 2008

**Schedule C**  
**Page 2 of 5**

|                                      | Per<br>Books       | Pro Forma<br>Adjustments | As<br>Adjusted     | Proposed<br>Increase | Effect of<br>Proposed<br>Increase |
|--------------------------------------|--------------------|--------------------------|--------------------|----------------------|-----------------------------------|
| Net Operating Income                 | <u>25,383</u>      | <u>(20,143)</u>          | <u>5,241</u>       | <u>58,493</u>        | <u>63,734</u>                     |
| Gross Plant In Service               | \$ 2,653,429       | 581,256 [a]              | 3,234,685          | -                    | 3,234,685                         |
| Accumulated Depreciation             | <u>(740,755)</u>   | <u>81,568</u> [a]        | <u>(659,187)</u>   | -                    | <u>(659,187)</u>                  |
| Net Plant In Service                 | <u>1,912,673</u>   | <u>662,824</u>           | <u>2,575,497</u>   | -                    | <u>2,575,497</u>                  |
| Cash Working Capital                 | 39,319             | 5,466 [a]                | 44,785             | -                    | 44,785                            |
| Contributions In Aid of Construction | <u>(1,576,239)</u> | <u>(10,646)</u> [a]      | <u>(1,586,886)</u> | -                    | <u>(1,586,886)</u>                |
| Accumulated Deferred Income Taxes    | <u>(338,729)</u>   |                          | <u>(338,729)</u>   | -                    | <u>(338,729)</u>                  |
| Customer Deposits                    | <u>(25,786)</u>    | -                        | <u>(25,786)</u>    | -                    | <u>(25,786)</u>                   |
| Total Rate Base                      | <u>\$ 11,238</u>   | <u>\$ 657,644</u>        | <u>\$ 668,882</u>  | <u>\$ -</u>          | <u>\$ 668,882</u>                 |
| Return on Rate Base                  | <u>225.87%</u>     |                          | <u>0.78%</u>       |                      | <u>9.53%</u>                      |

**Tega Cay Water Service, Inc.**  
**Plant by Category**

**Schedule C**  
**Page 3 of 5**

|      |                           | G/L<br>W & S<br>12/31/08 | G/L<br>Water<br>12/31/08 | G/L<br>Sewer<br>12/31/08 |
|------|---------------------------|--------------------------|--------------------------|--------------------------|
| 1020 | ORGANIZATION              | 125,040                  | 125,040                  | -                        |
| 1025 | FRANCHISES                | 9,375                    | 9,375                    | -                        |
| 1045 | LAND & LAND RIGHTS GEN PL | 2,961                    | 2,961                    | -                        |
| 1050 | STRUCT & IMPRV SRC SUPPLY | 68,975                   | 68,975                   | -                        |
| 1055 | STRUCT & IMPRV WTR TRT PL | 10,685                   | 10,685                   | -                        |
| 1080 | WELLS & SPRINGS           | (351,290)                | (351,290)                | -                        |
| 1090 | SUPPLY MAINS              | 6,181                    | 6,181                    | -                        |
| 1105 | ELECTRIC PUMP EQUIP WTP   | 19,698                   | 19,698                   | -                        |
| 1115 | WATER TREATMENT EQPT      | 59,601                   | 59,601                   | -                        |
| 1120 | DIST RESV & STANDPIPES    | 248,233                  | 248,233                  | -                        |
| 1125 | TRANS & DISTR MAINS       | 1,387,576                | 1,387,576                | -                        |
| 1130 | SERVICE LINES             | 525,692                  | 525,692                  | -                        |
| 1135 | METERS                    | 33,026                   | 33,026                   | -                        |
| 1140 | METER INSTALLATIONS       | 99,511                   | 99,511                   | -                        |
| 1145 | HYDRANTS                  | 87,305                   | 87,305                   | -                        |
| 1175 | OFFICE STRUCT & IMPRV     | 93,749                   | 47,190                   | 46,559                   |
| 1180 | OFFICE FURN & EQPT        | 64,580                   | 32,508                   | 32,073                   |
| 1190 | TOOL SHOP & MISC EQPT     | 64,214                   | 32,323                   | 31,891                   |
| 1195 | LABORATORY EQUIPMENT      | 15,910                   | 8,009                    | 7,902                    |
| 1205 | COMMUNICATION EQPT        | 18,086                   | 9,104                    | 8,982                    |
| 1220 | OTHER TANGIBLE PLT WATER  | (90,318)                 | (90,318)                 | -                        |
| 1245 | ORGANIZATION              | 119,455                  | -                        | 119,455                  |
| 1285 | LAND & LAND RIGHTS GEN PL | 8,075                    | -                        | 8,075                    |
| 1295 | STRUCT/IMPRV PUMP PLT LS  | 745,044                  | -                        | 745,044                  |
| 1315 | STRUCT/IMPRV GEN PLT      | 87,022                   | -                        | 87,022                   |
| 1330 | POWER GEN EQUIP TREAT PLT | 11,030                   | -                        | 11,030                   |
| 1345 | SEWER FORCE MAIN          | 481,997                  | -                        | 481,997                  |
| 1350 | SEWER GRAVITY MAIN        | 5,807,560                | -                        | 5,807,560                |
| 1360 | SERVICES TO CUSTOMERS     | 1,697                    | -                        | 1,697                    |
| 1380 | PUMPING EQUIPMENT PUMP PL | 5,481                    | -                        | 5,481                    |
| 1395 | TREAT/DISP EQUIP LAGOON   | 1,578                    | -                        | 1,578                    |
| 1400 | TREAT/DISP EQUIP TRT PLT  | 2,131,299                | -                        | 2,131,299                |
| 1420 | OUTFALL LINES             | 3,160                    | -                        | 3,160                    |
| 1435 | OTHER PLT PUMP            | 855                      | -                        | 855                      |
| 1440 | OTHER PLT TREATMENT       | 1,186                    | -                        | 1,186                    |
| 1470 | TOOL SHOP & MISC EQPT     | 4,869                    | 2,451                    | 2,418                    |
| 1480 | POWER OPERATED EQUIP      | 348                      | 175                      | 173                      |
| 1485 | COMMUNICATION EQPT        | 757                      | 381                      | 376                      |
| 1540 | REUSE TRANSMISSION & DIST | 8,088                    | -                        | 8,088                    |
| 2620 | UTIL PLANT ACQUIRED/DISPO | 104,490                  | 52,597                   | 51,893                   |
|      | Plant In Service          | 12,022,778               | 2,426,987                | 9,595,791                |
| 1555 | TRANSPORTATION EQPT WTR   | 123,029                  | 61,929                   | 61,100                   |
|      | COMPUTER EQUIPMENT        | 123,029                  | 61,929                   | 61,100                   |
| 1580 | MAINFRAME COMPUTER WTR    | 7,579                    | 3,815                    | 3,764                    |
| 1585 | MINI COMPUTERS WTR        | 53,309                   | 26,834                   | 26,475                   |
| 1590 | COMP SYS COST WTR         | 258,609                  | 130,176                  | 128,434                  |
| 1595 | MICRO SYS COST WTR        | 7,325                    | 3,687                    | 3,638                    |
|      | Computer Equipment        | 326,823                  | 164,512                  | 162,311                  |
|      | Total Plant               | 12,472,631               | 2,653,429                | 9,819,202                |

**Tega Cay Water Service, Inc.**  
Sewer Operations  
Rate Base and Rate of Return  
Test Year Ended December 31, 2008

**Schedule C**  
**Page 4 of 5**

|                                      | Per<br>Books        | Pro Forma<br>Adjustments | As<br>Adjusted         | Proposed<br>Increase | Effect of<br>Proposed<br>Increase |
|--------------------------------------|---------------------|--------------------------|------------------------|----------------------|-----------------------------------|
| Net Operating Income                 | <u>104,626</u>      | <u>20,252</u>            | <u>124,878</u>         | <u>132,486</u>       | <u>257,363</u>                    |
| Gross Plant In Service               | \$ 9,819,202        | 988,908                  | [c] 10,808,110         | -                    | 10,808,110                        |
| Accumulated Depreciation             | <u>(2,861,197)</u>  | <u>77,219</u>            | [d] <u>(2,783,979)</u> | -                    | <u>(2,783,979)</u>                |
| Net Plant In Service                 | <u>6,958,005</u>    | <u>1,066,126</u>         | <u>8,024,131</u>       | -                    | <u>8,024,131</u>                  |
| Cash Working Capital                 | 72,161              | (4,042)                  | [a] 68,119             | -                    | 68,119                            |
| Contributions In Aid of Construction | <u>(4,749,881)</u>  | <u>(32,474)</u>          | <u>(4,782,355)</u>     | -                    | <u>(4,782,355)</u>                |
| Accumulated Deferred Income Taxes    | (278,111)           |                          | (278,111)              | -                    | (278,111)                         |
| Customer Deposits                    | <u>(25,441)</u>     | <u>-</u>                 | <u>(25,441)</u>        | -                    | <u>(25,441)</u>                   |
| Total Rate Base                      | <u>\$ 1,976,733</u> | <u>\$ 1,029,610</u>      | <u>\$ 3,006,344</u>    | <u>\$ -</u>          | <u>\$ 3,006,344</u>               |
| Return on Rate Base                  | <u>5.29%</u>        |                          | <u>4.15%</u>           |                      | <u>8.56%</u>                      |

- [a] Per ORS notes Audit Exhibit CAS-1 thru CAS-3
- [b] This is a fall out item and changes with new recommended levels of expense.
- [c] To include 4 projects associated with UV disinfection.
- [d] To include a retirement associated with the chlorination/dechlorination equipment.

Tega Cay Water Service, Inc.  
PROPOSED REVENUES

WATER

| Bill code        | Description          | Usage<br>Charge | BFC      | Gallorage          | Units         | Jan-Dec<br>Revenues |
|------------------|----------------------|-----------------|----------|--------------------|---------------|---------------------|
| <u>All Subs:</u> |                      |                 |          |                    |               |                     |
| 48501            | 5/8" Res Wtr.        | \$ 2.11         | \$ 9.42  | 108,758,466        | 21,911        | \$ 435,877          |
| 48502            | 5/8" Commercial Wtr. | \$ 2.11         | \$ 9.42  | 574,460            | 191           | \$ 3,011            |
| 48505            | 1" Commercial Wtr.   | \$ 2.11         | \$ 9.42  | 273,520            | 88            | \$ 1,406            |
| 48506            | 2" Commercial Wtr.   | \$ 2.11         | \$ 9.42  | 794,000            | 11            | \$ 1,779            |
| 48540            | Hydrant Rental       | -               | \$ 10.38 | -                  | 990           | 10,275              |
| Total            |                      |                 |          | <u>110,400,446</u> | <u>23,191</u> | <u>\$ 452,348</u>   |

SEWER

| Bill code        | Description          | Usage<br>Charge | Rate     | Gallorage          | Units         | Jan-Dec<br>Revenues |
|------------------|----------------------|-----------------|----------|--------------------|---------------|---------------------|
| <u>All Subs:</u> |                      |                 |          |                    |               |                     |
|                  |                      | <u>Rate</u>     |          | <u>Units</u>       |               | <u>Revenues</u>     |
| 48521            | 5/8" Res. Sewer      | \$ -            | \$ 41.64 | -                  | 21,899        | \$ 911,835          |
| 48522            | 5/8" Commercial Swr. | -               | 41.64    | -                  | 90            | 3,747               |
| 48523            | 1" Commercial Swr.   | -               | 41.64    | -                  | 26            | 1,083               |
| 48524            | 2" Commercial Swr.   | -               | 41.64    | -                  | 402           | 16,739              |
| Total            |                      |                 |          | <u>-</u>           | <u>22,417</u> | <u>\$ 933,404</u>   |
| Grand Total      |                      |                 |          | <u>110,400,446</u> | <u>45,608</u> | <u>\$ 1,385,752</u> |

**Tega Cay Water Service, Inc.**

Uncollectible Accounts

Test Year Ended December 31, 2008

|                              | <u>Water</u>      | <u>Sewer</u>      | <u>Total</u>        |
|------------------------------|-------------------|-------------------|---------------------|
| Test Year / Present Revenues | <u>\$ 365,528</u> | <u>\$ 740,210</u> | <u>\$ 1,105,738</u> |
| Uncollectible Accounts       | <u>(694)</u>      | <u>(1,417)</u>    | <u>(2,111)</u>      |
| Uncollectible %              | <u>-0.19%</u>     | <u>-0.19%</u>     |                     |
| PROPOSED Revenues            | <u>\$ 452,348</u> | <u>\$ 933,404</u> |                     |
| Uncollectible %              | <u>-0.19%</u>     | <u>-0.19%</u>     |                     |
| Uncollectible Accounts       | <u>\$ (859)</u>   | <u>\$ (1,787)</u> | <u>\$ (2,646)</u>   |

**Tega Cay Water Service, Inc.**

w/p [d]

Rate Case Expense

Test Year Ended December 31, 2008

Updated Rate Case Expense - estimated to hearing

**Total**

Total RC expense as of 05/31/2010

57,977

Unbilled/unbooked legal fees

55,809

Customer Notice - after rate case is over.

|         |       |   |                    |       |
|---------|-------|---|--------------------|-------|
| Postage | 3,415 | = | customers x \$0.44 | 1,503 |
|---------|-------|---|--------------------|-------|

|       |       |   |                   |     |
|-------|-------|---|-------------------|-----|
| Stock | 3,415 | = | notices x (.0526) | 180 |
|-------|-------|---|-------------------|-----|

| Hearing<br>Travel | Personnel | Cost | # of Trips/<br>Nights |       |
|-------------------|-----------|------|-----------------------|-------|
| Airfare           | 3         | 500  | 1                     | 1,500 |
| Hotel/Meals       | 3         | 200  | 1                     | 600   |
| Rental Car        | -         | 200  | 1                     | 200   |

Water Service Personnel: From 05/01/10 to hearing:

|       | hours | rate   | \$    |
|-------|-------|--------|-------|
| LG    | 30    | \$ 52  | 1,560 |
| CD    | 20    | \$ 119 | 2,385 |
| MM    | 10    | \$ 38  | 383   |
| SL    | 20    | \$ 92  | 1,840 |
| JC    | 80    | \$ 26  | 2,080 |
| LY    | 30    | \$ 29  | 870   |
| Total |       |        | 9,117 |

Total Cost of current case - estimated cost to complete

126,886

Total Rate Case Expense for 2008 rate case

126,886

Amortized over 3 years

3

**Amortization Expense per year****\$ 42,295****Water****Sewer****\$ 21,290****\$ 21,005**

Tega Cay Water Service, Inc.  
Calculation of Taxes Other Than Income Taxes  
Test Year Ended December 31, 2008

w/p [e]

|                                  | Water         | Sewer           | Total           |
|----------------------------------|---------------|-----------------|-----------------|
|                                  |               |                 |                 |
| <b><u>Pro Forma Proposed</u></b> |               |                 |                 |
| Gross Receipts Increase          | \$ 86,820     | \$ 193,194      | \$ 280,014      |
|                                  | 0.95919%      | 0.96%           |                 |
|                                  |               |                 |                 |
| <b>Adjustment</b>                | <b>\$ 833</b> | <b>\$ 1,853</b> | <b>\$ 2,686</b> |
|                                  |               |                 |                 |
| Utility/Commission Tax Increase  | 86,820        | 193,194         | 280,014         |
|                                  | 0.00%         | 0.00%           |                 |
|                                  |               |                 |                 |
|                                  | <b>0</b>      | <b>0</b>        | <b>0</b>        |



**Tega Cay Water Service, Inc.**  
Calculation of Income Taxes  
December 31, 2008

w/p [g]

**WATER**

|                              | Pro Forma<br>Proposed |
|------------------------------|-----------------------|
| <u>State Income Taxes</u>    |                       |
| Total Revenue                | \$ 467,636            |
| Maintenance Expense          | 166,802               |
| General Expense              | 139,724               |
| Depreciation & Amortization  | 32,171                |
| Taxes Other Than Income      | 52,586                |
| Interest Expense             | 23,528                |
| Taxable Income (profit)/loss | \$ 52,826             |
| State Tax Rate               | 5.0%                  |
| Total State Income Taxes     | \$ 2,641              |

**Federal Taxes**

|                             |           |
|-----------------------------|-----------|
| Taxable Income before taxes | \$ 52,826 |
| Less: State I/T             | 2,641     |
| Federal Taxable Income      | 50,184    |
| Federal Tax Rate            | 35%       |
| Total Federal Taxes         | \$ 17,564 |

**SEWER**

|                             | Pro Forma<br>Proposed |
|-----------------------------|-----------------------|
| <u>State Income Taxes</u>   |                       |
| Total Revenue               | \$ 943,142            |
| Maintenance Expense         | 346,479               |
| General Expense             | 137,857               |
| Depreciation & Amortization | 69,750                |
| Taxes Other Than Income     | 62,471                |
| Interest Expense            | 105,749               |
| Taxable Income              | \$ 220,837            |
| State Tax Rate              | 5.0%                  |
| Total State Income Taxes    | 11,042                |

**Federal Taxes**

|                             |            |
|-----------------------------|------------|
| Taxable Income before taxes | \$ 220,837 |
| Less: State I/T             | 11,042     |
| Federal Taxable Income      | \$ 209,796 |
| Federal Tax Rate            | 35%        |
| Total Federal Taxes         | \$ 73,428  |

UTILITIES, INC. AND SUBSIDIARIES  
Capital Structure at December 31, 2008

w/p [h]

|  | 31-Dec<br>2008           | Annual<br>Interest<br>Expense | Capital<br>Structure |
|--|--------------------------|-------------------------------|----------------------|
| <u>COMMON SHAREHOLDERS' EQUITY:</u>  |                          |                               |                      |
| Common Shares, \$.10 par value; authorized<br>and issued 1,000 shares                                      | \$ 100                   |                               |                      |
| Paid-in capital  | 98,111,656               |                               |                      |
| Retained earnings  | 59,625,258               |                               |                      |
| Total Common Shareholder's Equity  | \$ <u>157,737,014</u>    |                               | <u>46.70%</u>        |
| <u>LONG-TERM DEBT:</u>   |                          |                               |                      |
| Collateral trust notes-<br>6.58%, \$9,000,000 due in annual installments<br>beginning in 2017 through 2035 | 180,000,000              | 11,880,000                    |                      |
| Total Long-Term Debt   | \$ <u>180,000,000</u>    | \$ <u>11,880,000</u>          | <u>53.30%</u>        |
| TOTAL CAPITALIZATION   | \$ <u>\$ 337,737,014</u> | 11,880,000                    | <u>100.00%</u>       |
| COST OF DEBT   | <u>6.60%</u>             |                               |                      |
|  | <u>Ratio</u>             | <u>Cost</u>                   | <u>Weighted Cost</u> |
| Long-Term Debt   | 53.30%                   | 6.60%                         | 3.52%                |
| Common Equity  | <u>46.70%</u>            | <u>11.18%</u>                 | <u>5.22%</u>         |
|  | 100.00%                  |                               | 8.74%                |

**Tega Cay Water Service, Inc.****W/P [h]**

Pro Forma Interest Expense

|                             | Water   | Sewer     | Total     |
|-----------------------------|---------|-----------|-----------|
| Pro Forma Present Rate Base | 668,882 | 3,006,344 | 3,675,225 |
| Debt Ratio                  | 53.30%  | 53.30%    | 53.30%    |
| Embedded Cost of Debt       | 6.60%   | 6.60%     | 6.60%     |
| Pro Forma Interest Expense  | 23,528  | 105,749   | 129,277   |

**Tega Cay Water Service, Inc.**  
Calculation of Working Capital  
December 31, 2008

w/p [i]

|                          |        | Water   |
|--------------------------|--------|---------|
| <b>Test Year</b>         |        |         |
| Maintenance Expenses     |        | 104,194 |
| General Expenses         |        | 167,705 |
| Taxes Other Than Income  |        | 42,653  |
| Total                    |        | 314,552 |
| Working Capital          | 45/360 | 39,319  |
| <b>Pro Forma Present</b> |        |         |
| Maintenance Expenses     |        | 166,802 |
| General Expenses         |        | 139,724 |
| Taxes Other Than Income  |        | 51,753  |
| Total                    |        | 358,279 |
| Working Capital          | 45/360 | 44,785  |
|                          |        | Sewer   |
| <b>Test Year</b>         |        |         |
| Maintenance Expenses     |        | 363,782 |
| General Expenses         |        | 165,462 |
| Taxes Other Than Income  |        | 48,048  |
| Total                    |        | 577,291 |
| Working Capital          | 45/360 | 72,161  |
| <b>Pro Forma Present</b> |        |         |
| Maintenance Expenses     |        | 346,479 |
| General Expenses         |        | 137,857 |
| Taxes Other Than Income  |        | 60,618  |
| Total                    |        | 544,953 |
| Working Capital          | 45/360 | 68,119  |

Tega Cay Water Service, Inc.  
Pro Forma Plant  
December 31, 2008

w/p [j]

| Line   | Project Description                 | Costs to Date | Total Cost of Project | Water | Sewer      | Estimated Date of Completion | W/O or Database Number | Est. Completion | Placed In Service |
|--------|-------------------------------------|---------------|-----------------------|-------|------------|------------------------------|------------------------|-----------------|-------------------|
| 1      | Install UV disinfection at WWTP # 2 | 230,278       | 230,278               | -     | 230,278    | May-2010                     | 2002926                | 1 Q 2010        | Y                 |
| 2      | Install UV disinfection at WWTP # 3 | 239,102       | 239,102               | -     | 239,102    | May-2010                     | 2003181                | 1 Q 2010        | Y                 |
| 3      | TC #2 TP04                          | 103,419       | 103,419               |       | 103,419    | May-2010                     | 2010118                | 1 Q 2010        | Y                 |
| 4      | TC #3 TP04                          | 109,040       | 109,040               |       | 109,040    | May-2010                     | 2010119                | 1 Q 2010        | Y                 |
| Totals |                                     | \$ 681,839    | \$ 681,839            | \$ -  | \$ 681,839 |                              |                        |                 |                   |